Re: Item No. 3

Revisions to the Assessment Cap

Regional Council
October 23, 2007

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Overview

- Request from Council
  - *" ... an overview of the Assessment Cap impact before HRM embarks on developing the 2008/09 budget."* – July 3, 2007
- What is the Assessment Cap?
- Impact on the HRM Budget
- Implications of Assessment Cap

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Property Tax in Nova Scotia

- Traditionally based upon Market Value
  - Price negotiated between willing buyer and seller
  - Annual reassessment redistributes the property tax burden every year to those with large increases.
    - Previously done every three years
- In the last seven years there has been considerable increases in market value
    - Increases were not uniform

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The Assessment CAP: What it is intended to do

- Introduced in 2004. Assessed value of a home may not increase more than a percent established by the Minister.
  - Set at 10% for 2007.
- Purpose of Assessment Cap is to protect
  - *"Nova Scotia property owners from sudden and dramatic property assessment increases"*
  - Leads to further redistribution

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How has the Assessment Cap changed for 2008?

- 2 significant changes:
  - (1) Cap amount reduced from 10% to Consumer Price Index (CPI).
    - Estimated at 2.5% for 2008-2009.
  - (2) Application process eliminated.
- Results are that:
  - More homes are eligible
  - Amount of the cap is greater

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How it affects a Homeowner

	Market Value	The Status Quo Cap at 10%	The Revised Cap Cap at CPI of 2.5%
Home Value (2007)	100,000	100,000	100,000
Home Value (2008)	120,000	110,000	102,500
Percent Increase	20.0%	10.0%	2.5%

Property reverts back to Market Value when sold.

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What is the impact on HRM's Budget

- Represents a change in the definition of assessment.
- Similar to:
  - Introduction of original Assessment Cap at 10%
  - Business Occupancy phase-out
  - Machinery and Equipment phase-out

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Method for setting the municipal tax rate remains unchanged

"Each municipality sets its own tax rate depending on how much money it needs to support services such as police, fire, streets, lighting, schools, garbage, etc. The tax rate is determined by dividing this money by the total taxable assessments in the municipality." - *Service NS Website.*

$$\frac{\text{Expenditures}}{\text{Taxable Assessment}} = \text{Tax Rate}$$

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Implications of Assessment Cap

- More Homes are eligible for Assessment Cap
  - Estimate of 85% (versus 20%)
- Added Stability for high increase homes
- Shift in tax burden from those with high increases in assessment to
  - those with low increases in assessment
  - Ineligible properties
  - New purchases/construction

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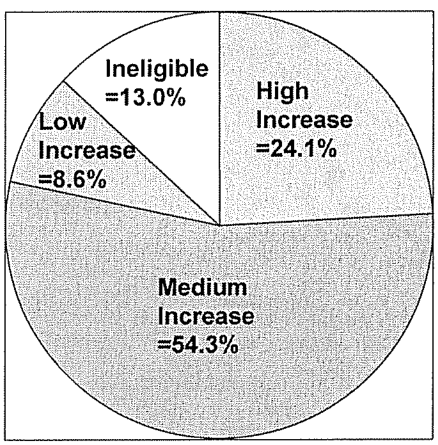
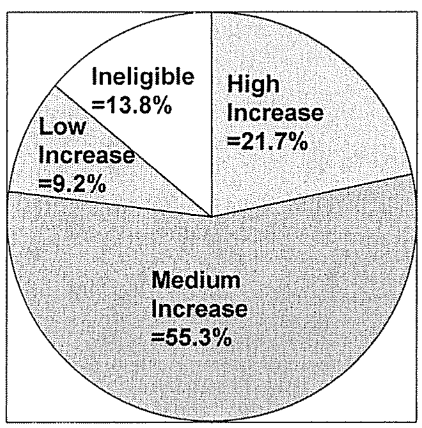
How Taxes get re-distributed
Impact of Sharing Taxes

Assessment Cap at 10%



Assessment Cap at 2.5%



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Conclusions

- Assessment Cap has a changed in two key areas
  - Reduced from 10% to CPI
  - No Application process
- No change to budget or rate process
  - Added importance to review of tax burden

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